

# SCHAFFER GROUP, LTD.

CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA

FINANCIAL STATEMENTS  
(AUDIT REPORT)

YEAR ENDED JUNE 30, 2014

CERTIFIED PUBLIC ACCOUNTANTS  
A LIMITED LIABILITY COMPANY

CAPITAL DEFENSE FUND OF SOUTHEAST LOUISIANA  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Capital Defense Project of Southeast Louisiana  
New Orleans, LA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Capital Defense Project of Southeast Louisiana (a Louisiana Not-For-Profit Corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United State of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

accounting estimates made by management, as well as evaluating the overall presentation of the financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provides a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Defense Project of Southeast Louisiana as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of Capital Defense Project of Southeast Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Capital Defense Project of Southeast Louisiana's internal control over financial reporting and compliance.

Schafer Group, LTD., LLC



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Kernion T. Schafer, CPA  
Managing Member

December 9, 2014

CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014

ASSETS

Current Assets

Cash	\$ 155,545
Certificates of Deposit	558,483
Reimbursements Receivable	2,000
Prepaid Expense	<u>64,042</u>
Total Current Assets	<u>780,070</u>

Property and Equipment

Equipment	122,296
Furniture and Fixtures	54,344
Leasehold Improvements	<u>37,178</u>
Total Property and Equipment	213,818
Less: Accumulated Depreciation	<u>(131,235)</u>
Property and Equipment - Net	<u>82,583</u>

Other Assets

Deposit	<u>6,491</u>
Total Other Assets	<u>6,491</u>

TOTAL ASSETS	<u><u>\$ 869,144</u></u>
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**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

<u>Revenue</u>	
Contract Revenue	\$ 1,332,370
Expert Expenditure Reimbursement	18,383
Interest Income	6,144
Rental Income	20,100
Total Revenue	<u>1,376,997</u>
<u>Expenses</u>	
Program Service	1,266,930
Management and General	305,281
Total Expenses	<u>1,572,211</u>
Income from Operations	<u>(195,214)</u>
<u>Other Income (Expenses)</u>	
Total Other Income (Expenses)	<u>-</u>
Change in Net Assets	<u>\$ (195,214)</u>
Net Assets, Beginning of Year, Previously Reported	1,011,539
Prior Period Adjustment	27,023
Net Assets, Beginning of Year, Restated	<u>1,038,562</u>
Net Assets, End of Year	<u>\$ 843,348</u>

CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2014

	Program Service	Management and General	Total
Accounting Expense	\$ -	\$ 12,860	\$ 12,860
Capital Representation	12,190	-	12,190
Contract Attorney	5,296	-	5,296
Contract Labor - Office	-	4,676	4,676
Depreciation	14,639	14,639	29,278
Dues, Seminars, and Subscriptions	34,456	-	34,456
Experts	742	-	742
Insurance	73,340	18,508	91,848
Investigators	46,642	-	46,642
Office Expense	6,410	6,409	12,819
Payroll and Payroll Taxes	879,708	140,073	1,019,781
Professional Fees	-	33,517	33,517
Reimbursable Expert Expenditures	18,383	-	18,383
Rent	50,082	51,249	101,331
Repairs and Maintenance	725	725	1,450
Simple IRA Contributions	76,552	10,700	87,252
Technical Support	5,840	5,839	11,679
Telephone	4,445	4,445	8,890
Travel	35,838	-	35,838
Miscellaneous	1,642	1,641	3,283
Total Expenses	<u>\$ 1,266,930</u>	<u>\$ 305,281</u>	<u>\$ 1,572,211</u>

See Independent Auditor's Report and Notes to the Financial Statements.

SCHAFFER GROUP, LTD.  
CERTIFIED PUBLIC ACCOUNTANTS  
A LIMITED LIABILITY COMPANY

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (195,214)
Non Cash Items Included in Increase (Decrease) in Net Assets:	
Depreciation	29,278
Decrease (Increase) in Current Assets:	
Reimbursement Receivable	46,866
Prepaid Expense	(17,112)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	21,047
Payroll Liabilities	(209)
	<hr/>
Net Cash Provided By (Used in) Operating Activities	(115,344)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Assets	(3,947)
(Increase) Decrease in Certificates of Deposit	(4,660)
	<hr/>
Net Cash Provided by (Used in) Investing Activities	(8,607)

Net Increase (Decrease) in Cash (123,951)

Cash and Cash Equivalents, Beginning of Year 279,496

Cash and Cash Equivalents, End of Year \$ 155,545

**SUPPLEMENTAL DISCLOSURES ON**

**CASH FLOW INFORMATION**

Cash Paid During the Year For:

Interest	<u>\$ -</u>
Income Taxes	<u>\$ -</u>



CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Capital Defense Project of Southeast Louisiana (Project) is a non-profit 501(c)(3) law office funded by the Louisiana Public Defender Board to provide services where there exists an ethical conflict of interest in the representation of indigent by the 22<sup>nd</sup> Judicial District Public Defender Office, in capital cases in Orleans Parish indicted after August 29, 2005, and throughout the State of Louisiana as needed.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

C. Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Project is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The only limits on the use of unrestricted net assets are the broad limits resulting from the following:

- The nature of the not-for-profit;
- The environment in which the not-for-profit operates;
- The purpose specified in the not-for-profit's articles of incorporation or bylaws; and
- Limits resulting from contractual agreements with suppliers, creditors, and others entered into by the not-for-profit in the course of its business.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the not-for-profit pursuant to those stipulations.

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

Permanently Restricted Net Assets – Net Assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the not-for-profit.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents

For the purpose of cash flows, the Project considers all unrestricted highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

F. Reimbursements Receivable

Reimbursements Receivable consists of reimbursements approved by the Louisiana Public Defender Board for expenditures incurred by June 30, 2014 that had not been received by the Project by year-end.

The Project considers all Reimbursements Receivables to be fully collectible. Accordingly, there was no allowance for doubtful accounts recorded.

G. Property and Equipment

Property and Equipment purchases are recorded and carried at cost. Depreciation is computed on the straight-line method over the following estimated useful lives:

Equipment	5 – 7 years
Furniture and Fixtures	7 years
Leasehold Improvements	10 years

Depreciation expense for the year ended June 30, 2014 was \$29,278.

It is the policy of the Project to capitalize all property and equipment with a useful life of five or more years.

The Project did not receive any donations of property and equipment during the year ended June 30, 2014.

CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

H. Income Tax Status

The Project is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. However, income from certain activities not directly related to the Project's tax-exempt purpose would be subject to taxation as unrelated business income.

The Company's federal and state tax returns are subject to possible examination by taxing authorities generally for a period of three years from the filing of those returns.

Note 2. CONTRACT REVENUE

Contract revenue is comprised of funds received under a contract with the Louisiana Public Defender Board. Contract revenue is recorded over the period covered by the original contract. Any amendments to the contract are recorded in the period received. Contract Revenue is reported as an increase in unrestricted net assets since the use of the funds outlined by the Louisiana Public Defender Board pertains to the primary purpose of the Project specified in the Project's Articles of Incorporation. See Note 1C.

The contracts for the year ended June 30, 2014 provided \$1,332,370 to the Project. Therefore, total contract revenue for the year ended June 30, 2014 was \$1,332,370.

Note 3. RESTRICTIONS ON NET ASSETS

Net assets consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Net Assets, Beginning of Year, Restated	\$ 1,038,562	\$ -	\$ -
Change in Net Assets	(195,214)	\$ -	\$ -
Net Assets, End of Year	\$ 843,348	\$ -	\$ -

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

Note 4.            CONCENTRATIONS OF CREDIT RISK

At times throughout the year, the Project's interest-bearing, cash accounts and certificates of deposit held at its financial institution exceeded federally insured limits. All deposits owned by the Project at the same financial institution are combined and insured up to \$250,000 by the Federal Deposit Insurance Corporation. All cash and certificates of deposit of the Project are held at one financial institution. At June 30, 2014, \$464,028 of cash and certificates of deposit was uninsured.

All contract revenue for the year ended June 30, 2014 was from the Louisiana Public Defender Board.

At June 30, 2014, all reimbursements receivable were due from the Louisiana Public Defender Board.

Note 5.            LEASES

The Project leases office space from an unrelated party. Rent expense for the year ended June 30, 2014 was \$100,163. The lease expires November 30, 2016. Future minimum lease payments are as follows:

<u>Year Ending June 30:</u>	
2015	\$ 116,189
2016	48,412
2017	-
2018	-
2019	-

The Project also leases storage space from an unrelated party on a month to month basis. Rent expense for the year ended June 30, 2014 was \$1,168.

Note 6.            SIMPLE IRA

The Project offers a Simple IRA to its employees after one year of employment. The Project contributes 10% of an employee's annual salary. Contributions for the year ended June 30, 2014 was \$87,252.

Note 7.            COMPENSATED ABSENCES

The full-time employees of the Project are entitled to paid vacation and sick leave. However, any unused vacation or sick leave cannot be used in subsequent years. Therefore, an accrual of unused vacation and sick leave has not been recorded.

CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Note 8.            SUBSEQUENT EVENTS

Management evaluated subsequent events through December 9, 2014, which is the date the financial statements were available to be issued.

Note 9.            PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2013, the Project prepaid \$27,023 of expenditures and expensed them during the year ended June 30, 2013. Therefore, a prior period adjustment has been recorded to increase beginning retained earnings and expenses by \$27,023.

**SUPPLEMENTARY INFORMATION**

# SCHAFER GROUP, LTD.

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of  
Capital Defense Project of Southeast Louisiana  
New Orleans, LA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Capital Defense Project of Southeast Louisiana (a Louisiana Not-for-Profit Corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capital Defense Project of Southeast Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Capital Defense Project of Southeast Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Capital Defense Project of Southeast Louisiana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

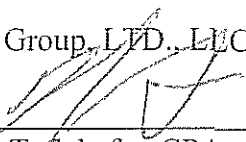
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Capital Defense Project of Southeast Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schafer Group, LTD., LLC



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Kernion T. Schafer, CPA  
Managing Member

December 9, 2014



**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

We have audited the financial statements of Capital Defense Project of Southeast Louisiana as of and for the year ended June 30, 2014, and have issued our report thereon dated December 9, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2014, resulted in an unqualified opinion.

**Section I - Summary of Auditor's Reports**

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☐ Yes ☒ No      Significant Deficiencies ☐ Yes ☒ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

b. Federal Awards ☒ Not Applicable

Internal Control

Material Weaknesses ☐ Yes ☐ No      Significant Deficiencies ☐ Yes ☐ No

Type of Opinion On Compliance for Major Programs

Unqualified ☐      Qualified ☐      Disclaimer ☐      Adverse ☐

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?

☐ Yes      ☐ No

Was a management letter issued? ☐ Yes ☒ No

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

c. Identification of Major Programs: ☒ Not Applicable

CFDA Number (s)	Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$\_\_\_\_\_

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☐ No

**Section II – Financial Statement Findings**

No Section II Findings.

**Section III – Federal Award Findings and Questioned Costs**

No Section III Findings.

**CAPITAL DEFENSE PROJECT OF SOUTHEAST LOUISIANA  
SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2014**

**SECTION I  
INTERNAL CONTROL AND COMPLIANCE MATERIAL  
TO THE FINANCIAL STATEMENTS**

2013-1     Timesheets - Non Compliance

The "Contract for Criminal Defense Services on Behalf of Indigents Accused of Capital Crimes" between the Louisiana Public Defender Board (LPDB) and the Capital Defense Project of Southeast Louisiana (Project) covering July 1, 2012 through December 31, 2012 and January 1, 2013 through June 30, 2013 required all Project personnel (independent contractors and employees) to keep timesheets. Administrative personnel did not keep timesheets as required by the Louisiana Public Defender Board contracts.

*Current Year Status:* Resolved.

**SECTION II  
INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

Not applicable.

**SECTION III  
MANAGEMENT LETTER**

Not applicable.

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT.